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Economic management of fish plants
An investigation on the use and advantage of various
management tools

B.A. Bertheussen

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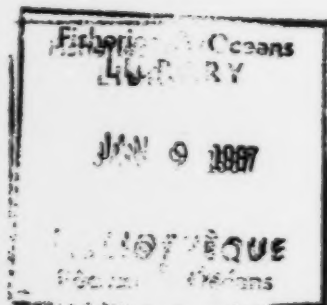
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Economic Management of Fish
Plants

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contents, titles and captions,
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Institute of Fishery Technology Research

Economic Management of Fish Plants

An investigation on the use and advantage of various management tools

Bernt Arne Bertheussen
Tromsø, September 1982

The report evaluates to what degree fish plants (freezing plants and conventional enterprises) can take advantage of profit and loss accounts, cost estimates, budgets and long-term plans, to improve the economic management of the enterprise. The work is based on data collected from 68 northern Norwegian fish plants of different types, sizes, and locations.

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Summary (p. IX)

Economic management of fish plants

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The report has two main aims. It studies to what extent fish plants, freezing plants, and conventional enterprises use economic management tools in daily operations. The term "economic management tools" covers in this context profit and loss accounts, product and investment estimates, operation and liquidity budgets and longterm plans. The results show that fish plants have taken these aids into use to a small extent, but that freezing plants are different in that they use, more than conventional enterprises do, processed economic data for decision making.

The second aim of the report is to find out what kind of effect the use of economic management tools has on the economy of a fish plant. The results show that their use has an obvious disadvantageous effect on the economy of small fishing industry enterprises. This can be attributed to that the manager of a small enterprise lacks the knowledge and time required by a use of the tools that are "for sale". With regard to the bigger enterprises, the relation between use of management tools and economic efficiency is not as obvious.

The main conclusion is that the uncertain raw material supply and uncertain market situation indicate that development of flexibility is the most important management tool of fishing plants.

Key conclusions :

- Development of flexibility is more important than development of economic management tools for most fish plants
- The most efficient small enterprises use the least extent of economic management tools and the highest degree of flexibility
- Uncertainty in the raw material and product market makes many traditional economic management tools fairly useless for the fishing industry

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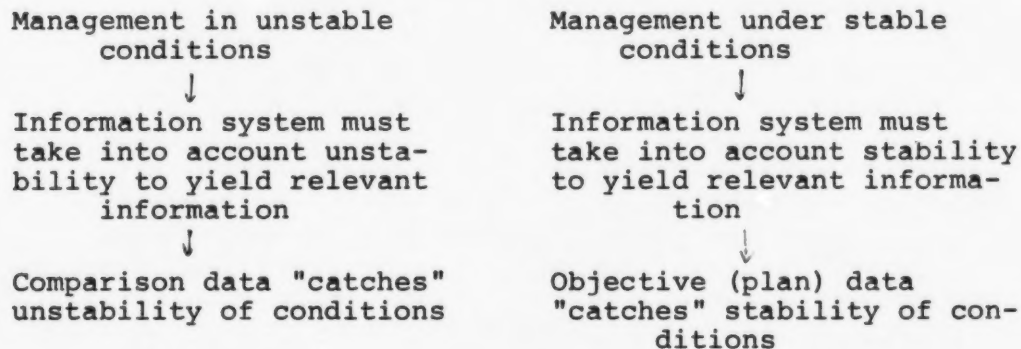
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Chapter 4 Conclusion

4.1 Essential conclusions

Section 3.2 presented management by comparison as an alternative to management by objective. It was claimed that trade figures yield more relevant information to the management of an enterprise than do their own target figures, when the enterprise works under unstable conditions. In Fig. 8, the two management methods are placed side by side :

Fig. 8 Stability of conditions and relevance of data



The present report claims that conditions of conventional enterprises are so unstable that they should mainly base their management on comparison data. The conditions of freezing plants are more stable, and they are assumed to be able to some degree to supplement comparison data with information from a management-by-objective system. Generally, we assume that increased stability of conditions reduces the need for comparison data, and vice versa.

Unstability of conditions of a fish plant makes it difficult to operationalize economic objectives that would be sufficiently sure. Longterm plans and budgets require that economic targets are operationalized, and since this is difficult in the

fishery industry, these two management tools are little suited. Consequently, crisis (emergency) management is the most efficient management method for fish plants. Crisis management means that enterprises handle situations as they emerge. For efficient functioning, the method must be combined with great operational and structural (and preferably also strategic) flexibility. This requirement is best met by the conventional enterprises, and it is in these enterprises that crisis management also works best.

The paradox of formalization is the third and last issue to be emphasized. This paradox means that under certain conditions a negative correlation prevails between the degree of formalization of economic management tools and economic efficiency. The paradox indicates that increased formalization is not always beneficial for an enterprise. The validity of the paradox was confirmed by analyses of small freezing plants and conventional enterprises. We believe generally that the paradox of formalization is most relevant for small enterprises, which can be explained by the fact that the manager's time is the scarcest resource in entrepreneur organisations. Therefore, it is important for the small enterprise management to economize on their time. There is a risk in that the manager does not have enough time to attend to other tasks, if the economy becomes too complex. As the manager's education, experience, and interest are often tied to production and not to economic functions, the economic system easily becomes "over-formalized".

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